

STATES OF JERSEY

Economic Affairs Scrutiny Panel Rural Economy Strategy 2011-2015 Review

TUESDAY, 15th JUNE 2010

Panel:

Deputy C.F. Labey of Grouville (Chairman)
Deputy R.G. Le Hérisier of St. Saviour
Deputy D.J.A. Wimberley of St. Mary

Witnesses:

Chief Executive Officer, R.J.A.&H.S.
President, R.J.A.&H.S.
Vice President, R.J.A.&H.S.
Chairman, Jersey Milk Marketing Board

Also Present:

Dr. J. Jones (Panel Adviser)
Mr. D Scott (Scrutiny Officer)

[15:07]

Deputy C.F. Labey of Grouville (Chairman):

Thank you all for coming to this Rural Strategy Hearing. There is a certain protocol here. There is a notice that those of you that have not been before if you would just like to read. I would like to say that if you wish to go into private session, if there are things that you would like to say not in public we are quite happy to do that but it will come out of your hour at the end. For the purposes of the tape we will go round and introduce ourselves. I am Carolyn Labey, Deputy of Grouville, and I chair the panel.

Deputy R.G. Le Hérisier of St. Saviour:

Roy Le Hérisier, Deputy of St. Saviour.

Deputy D.J.A. Wimberley of St. Mary:

I am Daniel Wimberley, Deputy of St. Mary.

Dr. J. Jones (Adviser):

James Jones from the Royal Agricultural College acting as adviser.

Mr. D. Scott (Scrutiny Officer)

Darren Scott, Scrutiny Officer.

Chief Executive Officer, R.J.A.&H.S.:

C.E.O. (Chief Executive Officer) of the R.J.A.&H.S. (Royal Jersey Agricultural and Horticultural Society)

Chairman, Jersey Milk Marketing Board:

Dairy farmer and chairman of the Jersey Milk Marketing Board,

Vice President, R.J.A.&H.S.:

Dairy farmer and Vice-President of the R.J.A.&H.S.

President, R.J.A.&H.S.:

President of the R.J.A.&H.S.

The Deputy of Grouville:

Thank you all for coming. I would just like to ask you, we have got your written submission but we will be asking certain things we wish to go on tape for the record

as well. If you could give us your background here, R.J.A.&H.S. and the J.M.M.B. (Jersey Milk Marketing Board). I mean we obviously know your specific backgrounds from your organisations but if you could just expand on your submission if it is a joint submission today and if there has been consultation with your particular boards or members.

Chairman, Jersey Milk Marketing Board:

It is very much a joint submission. We work very closely together. Our rules apply for milk intake into the dairy, predicated on the Herd Book rules of the R.J.A.&H.S., and the dairy industry acts in a unified manner and we all work together very closely. Ricky, for instance, is not only vice-president of R.J.A.&H.S. but he also sits on the board of the Milk Marketing Board, as do other members of the council of the R.J.A.&H.S. I suppose in strategic terms, the *Road Map for Recovery* that we referred to which we published in 2003 is our blueprint, if you like, for the way forward and it is something that each organisation subscribed to back in 2003 and continues to do so.

The Deputy of Grouville:

What was it actually called?

Chairman, Jersey Milk Marketing Board:

It was called *Road Map for Recovery*. It was written by Bruce Woodacre who is a well-known dairy adviser in the U.K. (United Kingdom) and the Milk Marketing Board commissioned him to do the long-term strategic report for the dairy industry,

which he did, having come over here a number of times to assess the situation. This was post Donald McQueen's report.

The Deputy of Grouville:

I was going to ask about that.

Chairman, Jersey Milk Marketing Board:

There were a lot of things that flowed in 2002 and I suppose in some respects the *Road Map for Recovery* was an action plan, the industry's action plan in response to the serious financial situation the Milk Marketing Board was in the beginning of 2002, before Kevin took over, and also an action plan in response to Donald McQueen's report.

The Deputy of Grouville:

We have had a submission ... just to be clear exactly where you are coming from. We have had a submission from the J.F.U. (Jersey Farmers Union). Now is there any overlap? Are you all members of the J.F.U., so would they be speaking ...?

Chief Executive Officer, R.J.A.&H.S.:

There is a degree of overlap but broadly where this, I suppose, joint submission comes from, the background to it, is that the dairy industry has for many years been, I suppose, jointly represented by its organisations with slightly different viewpoints in that the Milk Marketing Board is very much concerned with producer affairs, the marketing of milk and the processing of milk. The Society has been concerned with producer affairs but then more the management of the breed.

Deputy R.G. Le Hérisier:

On the road map; are you still on the road or have there been any deviations?

[Laughter]

Chairman, Jersey Milk Marketing Board:

We are still very much on the road and it is, as I explained to you yesterday, the reason I say that is that at the heart of the road map was the intention to narrow the gap between retail milk prices in the Island, the liquid milk, compared to those in the U.K. because it was recognised very clearly that the importation of milk could spell the death knell of the dairy industry and it was something that the industry had to tackle rather than sweep under the carpet, which previous generations have done. The road map clearly defined that in order to narrow that gap it would take time and there were a lot of key things that needed to be put into place. But in terms of narrowing that gap, it is an ongoing process. That certainly will not stop.

The Deputy of Grouville:

Yesterday, you passed a comment that the threats to the rural industry are different now than they were 5 years ago. Could you expand on that, what they were 5 years ago and what they are now?

Chief Executive Officer, R.J.A.&H.S.:

I suppose the top of the list would have been fundamental lack of profitability 5 years ago. That led to a lack of confidence, a lack of desire on behalf of producers to invest in their farms and that put a hold in investing in the processing capacity whereas

today that list ... of course there is this underlying issue of importation of milk but the road map strategy is clearly set up to try and mitigate that as far as possible. Today perhaps top of the list of threats would be lost for agricultural land.

The Deputy of St. Mary:

If we go back to those threats, importation of milk. Where are we at?

[15:15]

Chief Executive Officer, R.J.A.&H.S.:

It is still there but I think the industry has a long term plan to diversify its sales base to get away from a situation of having all the eggs in one basket but there have been several steps along the way that are key to that, that required the construction of a new dairy, it would have required importation of genetics on a farm level, so there is a number of key pieces that are ... that road map is a very key document. It sets out quite clearly what the pieces of the jigsaw are. I think we would suggest that certainly the major key pieces that have been put in place, there is still work to do. It is not a complete picture yet but with a fair wind and all those in the jigsaw all together we think that is the best possible strategy for the industry going forward.

The Deputy of St. Mary:

And the other threat now is land availability. Do you have any possible suggestions for Government about how to deal with that? First question: how many vergées are under dairy, round figures? Because we have got that from the stat people, and I just want to know what the balance is.

Chairman, Jersey Milk Marketing Board:

A lot of land is swapped with potatoes but round figures, 8-9,000 vergées. But that is

...

The Deputy of St. Mary:

Rough round figures, okay.

Chairman, Jersey Milk Marketing Board:

There is a lot of meadow land that is used by the dairy industry. It is very variable productive land and of that 8-9,000 vergées 1,000-2,000 vergées are exchanged, 1,000 at least.

Vice-President, R.J.A.&H.S.:

Maybe more.

Chairman, Jersey Milk Marketing Board:

Sorry, we are guessing here.

The Deputy of St. Mary:

Going back to the land availability linked with rents and so on. Is there anything do you think Government should have a role in levelling that out, dealing with that issue as an issue and, if so, what would they do?

Chairman, Jersey Milk Marketing Board:

The question is, like all issues to do with government, is whether to regulate or not to regulate. I think most of our farming lives we have farmed in a situation where the Department of Agriculture, as it used to be known, had means of regulating agricultural land use through the Sales and Leases Law. This is something that the R.J.A.&H.S. have done a lot more work on than the Milk Marketing Board, but I think it is fair to say that that particular law is now unenforceable and the question is should it be replaced with another piece of legislation or regulation as a ... I am not sufficiently qualified to say whether there is another law that can be used. The key issue is losing land for equine use and it is extremely easy for land owners to opt out of renting land to a farmer and to simply put a post and rail fence around. It is extraordinarily easy, I understand, to put up a field shelter/stable on the basis that it is a modular construction and is therefore temporary. Although you would have to check the exact details of what you can do and cannot do with the Planning Department. But one little simple thing that can be done is that it does appear that these fields that are used for horses seem to be quite well-fenced. Horses are about the worst grazers of grass that nature invented but from experience in the past, heifers and horses go very well together. Now, the question is how one can go round to all the various horse owners in the Island and knock on your local neighbouring dairy farmer's door and offer him to put some of his heifers in your well-fenced field.

The Deputy of St. Mary:

It would be a new sport for tourist guides, would it not? Instead of saying that is England, they could say: "Amazing Jersey cows."

Chairman, Jersey Milk Marketing Board:

Well, you asked the question, Deputy, and it might be a somewhat simplistic answer but I am sure if you were to consult with those who are at the sharp end of the Howard Davis Farm then the issues are not quite as simple as they appear. But we have to decide whether this Island wants that capability of feeding itself. It is something that every developed western nation is going through at the moment. It is crystal clear where the world population is going and we should be crystal clear that in northern Europe, particularly, climate change is likely to be advantageous to us, especially those of us in this Island that are fortunate to farm in an exceptionally deep fertile soil, and I find it absolutely staggering that people can willy-nilly, on the basis of perceived wealth, just take over land and put a couple of horses on it. We have not got the time, but I could quite happily - Ricky would, he is right in the middle of the Island - take you round the Island and show you horses ankle deep in grass at the moment with no likelihood of it being grazed between now and Christmas. It is such a waste. It really is. It is forcing up rents, coupled with the competition for potato land between the 2 marketing groups, and the dairy industry has been left piggy in the middle. The worst thing of all, is that while we have got traceability of our cows, we have got traceability of sheep, we have got traceability of pigs, we have got traceability in our chickens, we are pretty close to having traceability of bees, but there is no traceability on horses.

The Deputy of Grouville:

Who is championing this on your behalf?

Chairman, Jersey Milk Marketing Board:

Of the use of the loss of land?

The Deputy of Grouville:

No, the sheltered housing. I notice for probably the first time ever when there was the sheltered housing debate, I forget what you called yourselves.

President, R.J.A.&H.S.:

The Rural Alliance.

The Deputy of Grouville:

The Rural Alliance. Is there anybody championing that?

President, R.J.A.&H.S.:

The Rural Alliance is still in existence, it is just we do not meet very often and obviously when an issue comes up we then meet more often. But I think the basic thing Andrew is trying to say is that it is primary production here that we have got to look after as an Island. Not recreational use in the Island.

The Deputy of Grouville:

Not only recreational, is it not the case that we rezoned 60 vergées of agricultural land for sheltered house, the supposed urgent need 2 years ago, who was championing that in the States?

Chief Executive Officer, R.J.A.&H.S.:

I think you were. [Laughter]

The Deputy of Grouville:

I am just asking who there is championing agriculture's cause.

President, R.J.A.&H.S.:

It should be all the organisations involved in agriculture, R.J.A.&H.S., J.F.U., Milk Marketing Board, anybody that is basically ...

Chief Executive Officer, R.J.A.&H.S.:

I am trying to see where you are going with the question. In terms of Government ...

The Deputy of Grouville:

Yes, the Government. There is also this thing about V.E.D. (Vehicle Emissions Duty) on tractors.

Chairman, Jersey Milk Marketing Board:

The Vehicle Registration Act, yes.

Chief Executive Officer, R.J.A.&H.S.:

Being specific on land, there are basically 2 main pieces of legislation which cover the usage of land. There is either the Planning Law or there is Control of Sale and Leases Law and historically the industry has taken comfort from the Control of Sale and Leases Law which required landowners to let land to *bona fide* agriculturists. That ensured that there was a substantive bank of agricultural land available for those people who were driving their living from farming to occupy it. What has happened over recent years, there has been a relaxation of that policy to enable landowners not

necessarily to let land to *bona fide* agriculturists at all, coupled with the inclusion of equine as an agricultural activity, has meant that there has been an acceleration in land being used for supposedly temporary occupation for horses. Our concern is that it is not temporary in that the quality of the post and rail fences being put up and the quality of stabling facilities being put up rather indicates that it may be on a temporary basis but that would be fought quite hard when it comes up for renewal. Ultimately, I suppose we recognise that a clever lawyer would probably say that the Control of Sale and Leases Law is contrary to human rights. But that does not negate the fact that agricultural land should still basically be reserved for agricultural activity and that would come under the Planning Law. One of the suggestions that we have made is that any usage of land outside that of pure agriculture should require a change of use permit from the Planning Department. There is a specific recommendation. Currently we know that the basic procedure for having agricultural conditions lifted on agricultural land is the ability for a landowner to prove that it is not required for agriculture and the standard process for that is a sort of advertisement in the local media and if there are no responses then a good case can be made that the land is not required by the industry. That we know is a very flawed process because we know of specific instances where people have replied to advertisements requesting to rent the land but the application for lifting restrictions has gone through on the basis that there was no replies to the advertisement. So we know that that system is basically flawed and does not work.

The Deputy of St. Mary:

You have that documentation?

Chief Executive Officer, R.J.A.&H.S.:

Yes.

The Deputy of Grouville:

There used to be other cases, I should probably know this, that land could not be used for grazing of horses unless ... how did it go? It used to have to be with the family for X amount of years, 50 years or ...

Chief Executive Officer, R.J.A.&H.S.:

With the land?

The Deputy of Grouville:

Yes. So that has been changed now, has it?

Chief Executive Officer, R.J.A.&H.S.:

No, that is part of this ... the 1974 Control of Sale of Leases Law is a clumsy piece of legislation and basically inherited land falls outside of its scope. It does not cover all of the agricultural land in the Island, which is why you can get this anomaly where on the agricultural returns the department can establish that there is an increase in agricultural land, which sounds counterintuitive but it does make sense because what is happening is more land is coming to the net of being controlled. It is not an increase in land, it is land ... it does not take a rocket scientist to wander around the Island and realise that land is coming out of agricultural production.

President, R.J.A.&H.S.:

I think another piece of information is quite useful to use as well, is that there is only 25 per cent of the farmland in Jersey that is owned by the people doing business with it. So 75 per cent is not, so therefore it is leased to the farming community, so it puts them in a very vulnerable position. If they owned the vast majority of their main asset that would ... it would be a lot more different picture to what we are seeing now. It is the other way round and that is the critical condition that we are in now.

The Deputy of Grouville:

Who is selling it to them?

President, R.J.A.&H.S.:

No it is traditionally. I do not think agriculture has basically necessarily fared so well over the years. They might have had good seasons but not necessarily put the money to such good uses buying land, keeping it within farming businesses because a lot of small farms have gone out of business and they have retained the land, that is why a lot of people have, I do not know how many landlords Ricky has got, but ... you can say, how many vergées you have got and how many landlords you have got.

Vice-President, R.J.A.&H.S.:

Yes, I would farm almost 500 vergées I guess and probably got between 20 and 30 landlords to get that amount of land. Out of that number I have got 4 or 5 landlords who are fairly significant landlords. A lot of people that I rent land from, it is just a vergée or 2 here, a vergée or 2 there. I mean what you try and do is build up blocks of land which do not necessarily all belong to the same person. That is another thing, people sometimes allow fields to go out of agricultural production. They will say:

“Oh, it is a small field it does not matter” but quite often that small field is a corridor of joined blocks of land together. So the size of a field and the shape of a field is not necessarily a good reason for it to be let out of agriculture. I am unique in the fact that I am probably the only farmer on the Island that rents everything that I have got. I see a lot of land going out of agriculture when properties are exchanged, when people buy houses they are paying a lot of money for properties and they could not decide and the last thing they want to do is farmers to be farming in the fields adjacent to where they are so those are the ones, you know, it is not only horses. People are planting apple trees and it is not because they want to have apple trees there or that they have got a use for the apple trees. They just want to keep us away from their properties.

Chairman, Jersey Milk Marketing Board:

As you can tell this is a very pertinent point for us. We do not want you to go away with the impression that every landlord is like this. There are some particularly good landlords that we all have but what we are trying to identify is a trend and the trend is, and we have been farming long enough to see this, and the trend is accelerating towards loss of agricultural land to other uses, as we have described.

[15:30]

I think the other thing that is important to emphasise at this point is that we are not, as farmers, people who exclude other recreational use on our land. I think there is a phenomenal amount of recreational and leisure pursuits held on active farmland. Ironically a lot of those horses that drag hunt, there is a lot of horse events which take

place on agricultural land, I do not want to name them. But if someone comes to me and says: “Can I walk my dog across your field, I live just across the way there?” virtually everyone is going to say: “Yes, you can.” But it is the person who does not come and ask permission and has this notion that the countryside is free for everyone that obviously can make a difference. But we are open to other use.

Deputy R.G. Le Hérisier:

I did have listed here the question about were you worried about the future of the rural economy, and quite clearly I do sense a drift in your answers. I wonder if I could slightly, Madam Chairman, amend that. In reading the proposed Rural Strategy, you have also given a critique indirectly of the 205(?) one in the way you have been answering so I will jump over that question. In reading it, are there any points about it that continue to make you worried? In other words, are there areas, for example, where it could have taken a firmer stand, where it could be less permissive and more mandatory in its approach? What is there about it that worries you and you would like to see changed, toughened up or whatever?

Chairman, Jersey Milk Marketing Board:

Over and above the land issue, if I could deal with the commercial ones, the key commercial issue is the recommendation that the quality milk payments should be phased out over 5 years. We, as an industry, are definitely against that. Having said that, having made that statement, we recognise that Government is going through a tough time and is having to reduce its costs, but the dairy industry has drawn less and less money from Government over a long period of time now and there is a lot of sort of indirect areas going all the way back to the loss of welfare milk when the social

security payments were changed to the bull proving scheme. There were areas within the Countryside Renewal Scheme where we had advantages of making claims for grants and schemes, what appeared to be quite small schemes but they were all income streams for farmers which have been done away with, and school milk is now the latest one. These are not little incidental amounts of money; these all add up to quite a bit of money and it is going on and on and on. I think if you were to say: "Do you think we should play our part?" we recognise we need to play our part. We cannot be drawing the same amount for ever and a day. But to have something as draconian as just wiping this out over 5 years is wrong, and the reason we fervently believe it is wrong is because the industry has an extremely valuable costing scheme which has been ... which we have been doing for I think the last 7 years now. All our farmers take part in this. The board employs a farm secretary who goes round farms to collate information. This is shared very closely with the livestock adviser, John Jackson, and the analysis of these costings, which are analysed twice a year, are not done by ourselves but they are done on behalf of the Milk Marketing Board by Kite Consulting, which is a major and very well known dairy consultancy firm in the U.K. John Allen and Edward Lott come over here twice a year, analyse this information, which is very important in terms of our board discussions. That information, that costings information, is then submitted to the Minister for Economic Development as well as being available to the Environment Department. We can show quite clearly ... unfortunately, it is difficult to describe this in such a meeting as this, but we can show very clearly what the effects of previous cuts have been on overall profitability and we can show you very clearly on a spreadsheet what the effects of these proposed schemes would be in light of our 5-year plan going forward. I cannot over-emphasise the central issue that we are trying to do, which is to try and make sure that our dairy

products and our liquid milk is priced competitively in this Island. Gone are the days when we could ... if we had a problem we could up the price of milk. Other sectors of the economy seem to get away with it, but the dairy industry has chosen not to do that. It is because our strategy flows from that. Now, if for whatever reason Government decided to go ahead with these particular recommendations to wind the quality milk payment out over a short period of time, we would either have a choice of reducing profitability on the farm or increasing our prices, which would make us uncompetitive or less competitive. That would be something we would feel very, very strongly about because you asked the question earlier about is this a finite process. Our aim at the moment within the dairy ... our focus in the dairy industry is that, by coincidence, though it is a fact, the vast majority of farmers are all between the age of about 52 and 57. Phenomenally, it is quite extraordinary how everyone is about the mid-50s. Within 10 years we will all face the process of succession. Much as we would like to farm until we drop **[Laughter]** we have to focus on this. In the farming industry as a whole it is something that is very important. There is no better way to discourage the next generation to come into farming in the knowledge that profitability is diminishing because Government want to make various cutbacks. That is something we would resist very, very strongly.

Deputy R.G. Le Hérissier:

So what is there, then, in the rural strategy that you think will help you or hinder you in that regard in terms of interfering with your march back to profitability?

Chairman, Jersey Milk Marketing Board:

Well, I do not want to say too much more because ... let the others ...

Deputy R.G. Le Hérisier:

Yes, I do not know what your colleagues ...

Chairman, Jersey Milk Marketing Board:

But I think what we are discussing, I think what is fair to be said since this has been published is that we are in discussion with the Environment Department about ... having made this point about the quality milk payment that with the use of the costings there might be some means of agreeing that when profitability reaches a predetermined level then there could be some simple formula whereby quality milk payment might be reduced. That is a discussion that is very much in its infancy at the moment. I think it exemplifies our attitude of we are not here to say no for ever. We see what the situation is for the Government, but we have had a tough time of it and it would be quite wrong to go and make these cutbacks before we manage to get ... manage to benefit from the importation of semen - these animals are not going to calve down ... the first animals are not going to calve down until next year - and the benefits of building a new dairy.

Chief Executive Officer, R.J.A.&H.S.:

Can I just say I think it is ... going back to your original question, there was a lot about the rural economy strategy 2005 to 2010 that was very good, and I think it is fair to say that at the time that represented quite a major shift away from the previous policy and I think the industry was a bit circumspect about some of these shifts. But in hindsight they have not been bad, so there are a lot of good things in the current strategy. It is also very pleasing to see that this proposed new strategy has taken on

board quite a number of the comments that the industry did put forward at the end of last year, beginning of this year, when there was a review of the current strategy taking place. Some key changes have been made and I think that is very positive as well. So I think there is basically a good relationship between the industry and the Environment Department. I think the Environment Department understands very well where the industry is coming from. I think one area that I just have a little concern over is that we are all quite aware that there is going to be pressure on budgets in the coming years and if there needs to be a list of the “nice to haves” and the “essentials to have” that would be quite useful to see. We would be a little bit concerned that perhaps policies are introduced which have a lot of nice to haves in them but the nice to haves over the life of that policy become the essentials. Then the only place where cuts can be made are perhaps the more vulnerable areas but the areas which would be much more significant to the future of the industry.

Deputy R.G. Le Hérisier:

Having said that, and then I will be quiet, do you think there are areas here that are nice to haves but they are somehow dressed up as essentials?

Chief Executive Officer, R.J.A.&H.S.:

Well, there are certainly areas in there that are nice to haves. We did highlight them in our formal written submission and there were areas in there that we suggested that perhaps rather than Government taking the lead in some of these areas it should be the voluntary sector that take the lead on them. So I think there are areas that we did ... we did not pin “nice to have” and “essential” to each policy but I think, reading our submission, it is fairly clear which ones we would perceive as being the essentials.

Deputy R.G. Le Hérissier:

Okay, thank you.

President, R.J.A.&H.S.:

One of the things I would like to mention as well is the transparency of anything that ... the R.E.S. (Rural Economy Strategy) and the R.I.S. (Rural Initiative Scheme). There is a lot of money spent with R.I.S. and I do not see a lot of transparency. So we are asked at various times to comment on our opinion on how it has worked. We do not have the detail so we cannot comment. We just cannot comment on it because we do not know really what it has been spent on.

Deputy R.G. Le Hérissier:

Sorry, is it the total or is it the manner in which the funds are dispensed, the criteria according to which they are dispensed? Is that what worries you?

President, R.J.A.&H.S.:

No, not really. Well, there is PR11, for example, it is hard to comment on some £2.5 million of expenditure without more supporting information. I think information is critical; you know, to be able to comment on things we have to have the information.

The Deputy of Grouville:

So have you asked for the information when you were asked to make comment?

Chief Executive Officer, R.J.A.&H.S.:

But we made the same comment on the initial request for the submission.

The Deputy of Grouville:

It was not forthcoming?

Chief Executive Officer, R.J.A.&H.S.:

Not to us. We did not specifically say: "Please tell us all the detail." Our comment was we could not comment on that level of expenditure because we knew no detail. So then the next time it is can we comment again but we know no further detail.

Chairman, Jersey Milk Marketing Board:

But to be fair, we are in another round.

Chief Executive Officer, R.J.A.&H.S.:

Yes, and it is not to say that all ... I do not think we are saying that the expenditure is somehow wrong.

The Deputy of Grouville:

No.

Chief Executive Officer, R.J.A.&H.S.:

Indeed, the dairy industry has been a major beneficiary out of the countryside renewal scheme. So it is not a criticism of it, it is just more of an observation.

The Deputy of Grouville:

Okay.

Dr. J. Jones:

I am permitted only to ask technical questions so do not feel I am probing too much with this. In your submission, you tracked earnings in the industry and demonstrated that they had declined, picked up a little bit last year, but you see them increasing over 5 years to 17 per cent for earnings, which is much higher than it was even in the better years in the last decade. My question really is what is that confidence that the earnings will climb back up again based on?

Chief Executive Officer, R.J.A.&H.S.:

That is the Jersey Dairy business plan. [Laughter]

Chairman, Jersey Milk Marketing Board:

This is a very relevant point. When Bruce Woodacre wrote the *Road Map for Recovery* he had a lot of experience in terms of farm costings and he introduced us to a system of analysis using a percentage of E.B.I.T.D.A. (earnings before interest, tax, depreciation and amortisation) turnover. We were attracted to that mainly because it was a simple figure which did not have a pound sign in front of it. But he made the point very carefully in that report, drawing on other areas of economic and commercial activity, not just farming, that 20 per cent E.B.I.T.D.A. was a ... 20 per cent E.B.I.T.D.A. on turnover was a generally regarded sustainable economic measure. So our target has been 20 per cent. You are right to point out that in the early days it was 9 per cent, it dropped down to as low as 4, it has picked up a little bit since. Interestingly enough, in the last 12 months we have recently had the figures

through and there has been very little change year on year, so we are still well below 10 per cent. The projection forward for 17 per cent was based on applying Jersey Dairy Limited's 5-year plan going forward, now that we have recently moved to the new dairy, and seeking out new markets, new value-added markets in the U.K., and applying the growth in milk intake that will be required to satisfy those markets, which matches very closely with our potential gain in yield per cow through international genetics.

[15:45]

This is what we have been trying to do is to dovetail all these things together, and it shows that providing support from Government is maintained at a similar level, providing land rental costs do not continue to accelerate as they have done in the last 18 months, and providing feed costs and fertiliser costs stay at similar levels ... we are expecting a small decrease in feed costs this summer but fertiliser costs and other costs are increasing. So obviously a lot of assumptions which obviously go into these things but there was the potential in 5 years to get much closer to the target that we set ourselves back in 2003.

Dr. J. Jones:

But of those assumptions that you mentioned, there are 2 that are positive changes you see, which is yield and price, price on the back of better marketing or success in marketing. All the other things are mostly static.

Chairman, Jersey Milk Marketing Board:

Sorry, can I tackle price? In the 5-year plan the assumption is that the price to farmers will stay the same. The increase in profitability ... and this is what is absolutely fundamental to these next 5 years. The increase in profitability is going to be derived in terms of growth of the business, growth in processing capacity and sales of the dairy and growth in output on farms. If we were to ... it would be very easy to show this on a spreadsheet, but if we were to have ... if we were to factor in a modest increase in the wholesale price of milk in the local market, that would most probably allow for a modest increase in unit price per litre. But our intention in this 5-year plan, in the next 5 years, is not to increase the wholesale price. That is our intention. As a consequence of that, it does not allow the ability to increase the unit price per litre to producers.

Dr. J. Jones:

Okay, so if I can go back, we have got static price, static rent, static feed and fertiliser, so really the thing that ... but we have not got static profits. We have a sharp increase in profits.

Chairman, Jersey Milk Marketing Board:

Yes.

Dr. J. Jones:

That sharp increase in profits is coming purely out of genetic improvement in yield?

Chairman, Jersey Milk Marketing Board:

Increase in output from farm because our variable costs are twice our fixed costs in this Island and it is ... the whole emphasis is about diluting fixed costs.

Dr. J. Jones:

So we are really pinning our confidence in that improvement on yield and genetics and not really anything else?

Chairman, Jersey Milk Marketing Board:

Yes.

President, R.J.A.&H.S.:

That is why 2 years ago it was so important that we got the States to move on the importation of semen. It is a critical ... it is a very, very critical part of this jigsaw puzzle.

The Deputy of Grouville:

But the risk is now the importation of milk. It has lessened that argument.

Chairman, Jersey Milk Marketing Board:

No, the importation of milk is always there.

President, R.J.A.&H.S.:

It has always been there.

Chairman, Jersey Milk Marketing Board:

It is always there and it is something that will be driven politically and economically. The political bit is in the hands of the Council of Ministers. The economic bit is in the hands of the industry. There is no better way to discourage someone from importing milk than by making sure that it is not very profitable to do so. There are some significant costs to bring milk into this Island 365 days a year.

Vice-President, R.J.A.&H.S.:

The threat of importation of milk is always there and it always will be there.

The Deputy of Grouville:

But I thought ... sorry.

Vice-President, R.J.A.&H.S.:

The fact is that the *Road Map for Recovery* has made the dairy industry locally more able to fight that off.

Chairman, Jersey Milk Marketing Board:

And to focus.

Vice-President, R.J.A.&H.S.:

Yes, so that, you know, by holding the price that we are selling our milk in the shop to

...

Chairman, Jersey Milk Marketing Board:

Sorry, wholesale price, you have to say wholesale price otherwise we get too confused.

Vice-President, R.J.A.&H.S.:

Wholesale price, yes, wholesale price. We are holding the milk at a price so that it is unattractive for anybody to import it.

President, R.J.A.&H.S.:

The added benefit, of course, with holding the price of milk down is that the consumer benefits. We believe that the consumer benefits also from the fact that we have a dairy industry in this Island because it keeps ... I always maintain that the best keeper of the countryside is a profitable farmer. If that farmer is no longer profitable and goes out of business, it costs the ... it would cost the Island a significant amount more than what is going into agriculture at the moment to maintain that countryside in a state that would be acceptable to the local public and also the tourists.

Chairman, Jersey Milk Marketing Board:

As a small anecdote, Madam Chairman, 7.00 p.m. on Sunday evening I led my cows across the lane to graze on the other side of the road and in doing so stopped a gentleman who I had not met before in his car while the cows went ... the sunlight was streaming in from the west, the cows crossed the road, and without hesitation he said to me: "Gosh, that must be one of the best sights in Jersey." Having had a pretty grotty day, you cannot believe how valuable that is.

The Deputy of Grouville:

Going back to the costs, could more be done about harbour dues? Do you feel that could aid the industry in some way?

Chairman, Jersey Milk Marketing Board:

I think there are lots of things that could be done.

The Deputy of Grouville:

Well, I am just looking at alternatives ...

Chairman, Jersey Milk Marketing Board:

I think the great benefit of what we have is that we have some very reliable information which is independently audited and assessed and commented on and we share that very openly, as we are saying. We are very much a transparent industry. We share that openly - along with our accounts of operating the dairy itself - with Government, with the Minister for Economic Development, particularly with the livestock adviser and the director of the Environment Department. We share that on a regular basis. But yes, you are right, there are a lot of things that Government could be doing which would help and harbour dues is something that would ...

The Deputy of Grouville:

Would that impact make a ...?

Chairman, Jersey Milk Marketing Board:

Yes, it would because we import a lot of feed.

The Deputy of Grouville:

Yes, exactly.

Chairman, Jersey Milk Marketing Board:

We also import a bit of straw and things like that, and we are as an agricultural industry importing bulky, low value goods. We are not importing a tonne of computers or a tonne of, I do not know, clothes or jewellery or something like that. There is little doubt in my mind that control of harbour dues and possibly reduction would ... that effect would seep across the economy to enormous beneficial effect. We are just seeing ... I stand to be corrected, but I think I am right in saying that both suppliers are about to increase the price for ready-mix concrete. It is always done this time of the year, year in, year out, it goes up. Harbour dues would potentially stop that.

Vice-President, R.J.A.&H.S.:

Can I just say on harbour dues I think that ... no, I do not think, the fact is that our biggest individual cost on our farms is imported feed so, you know, the control or the reduction of harbour dues has got to ...

The Deputy of Grouville:

How big an impact would it make?

Vice-President, R.J.A.&H.S.:

Depends.

Chairman, Jersey Milk Marketing Board:

Well, we are importing feed at somewhere between £225 and £250 a tonne.

The Deputy of St. Mary:

Which cost is that, the cost of ...?

Chairman, Jersey Milk Marketing Board:

That is the cost to the farmer.

The Deputy of St. Mary:

That is the cost to the farmer, okay.

Chairman, Jersey Milk Marketing Board:

Of the feed itself, of which the transport cost is £70 a tonne compared to ... you know, we can compare that quite accurately with a similar type of feed in the U.K., of which of that £70 a tonne ... sorry, I am not up on this recently. I did all this about a year ago, but it is not just harbour dues, it is stevedoring charges, it is transport from the docks to the farm, you know, there is a lot ... you would be surprised. You would be surprised how much ...

The Deputy of Grouville:

We would not be as surprised as you think. [Laughter]

Chairman, Jersey Milk Marketing Board:

... the cost ... what the transport cost is, what the proportion is before the boat sails between the pier heads of the harbour. You would be very, very surprised at what proportion ...

The Deputy of St. Mary:

I can believe that. Is there a risk with the feed itself? Is there a risk to the industry with costs?

Chairman, Jersey Milk Marketing Board:

That we would not be able to afford to buy it?

The Deputy of St. Mary:

Well, no, just with the trend ... I do not know what the trend is, but trends going forward. You know, you mentioned rising world population. What is the component of that feed? It is grown on land.

Chairman, Jersey Milk Marketing Board:

Well, that is an interesting question, but when rents were much lower and there was more land available a lot of us were growing some of this feed on land within the Island. That was before the second Potato Marketing Group set up. But as soon as rents doubled from £50 a vergée to £100 a vergée, the prospect of growing a winter cereal crop goes straight out the window. There is an enormous effect of ... back to harbour dues, but rental of land dictates the way we farm to a phenomenal degree.

The Deputy of St. Mary:

So there is a dual risk. There is the risk of the rise in the costs and there is also a risk that the feed will go up so then you will just trade off at the new point of balance ...?

Chairman, Jersey Milk Marketing Board:

That is correct.

President, R.J.A.&H.S.:

And putting where we started off into the equation again, the loss of agricultural land to non-primary food production, horses for example, has a huge impact on the amount of land that is in the supply chain, in the stock ...

The Deputy of St. Mary:

Right, and increases the risk with the feed.

President, R.J.A.&H.S.:

... and therefore supply and demand, of course, the price will go up if there is less land available.

Deputy R.G. Le Hérisier:

I wonder if I can come back to the succession issue whereby by some incredible demographic fluke you have all ended up in the 52 to 57 year-old bracket.

[Laughter] I wonder if you can tell me whether you feel that this strategy, given, for example, the demise of the Highlands agricultural/horticultural training centre, for example, whether you feel this strategy has enough oomph to it in order to support you in proper succession planning and training and education.

The Deputy of St. Mary:

And even the first step of just getting people interested in the first place?

Chief Executive Officer, R.J.A.&H.S.:

I think people are interested. I used to spend a lot of time worrying about where the next generation of farmers were going to come from until I had a revelation one day that said it really is unimportant to worry about it. As long as the industry is vibrant and profitable the next generation will come.

Deputy R.G. Le Hérisier:

Even though a lot of it ... although we have a notable exception here, even though a lot of it is dependent upon inheritance of property?

Chief Executive Officer, R.J.A.&H.S.:

The facilitation of succession and advice surrounding that is a very specific issue which I think particular producers at particular times would benefit from. So how to go about constructing a proper succession plan to children or what have you who might want to take the farm on is an issue. Another issue is the ability for ... increasingly it is agricultural managers rather than learning how to drive a forklift truck or something, to access to higher education on the mainland because there is a gap in the education ... in the grant provision in the Island to enable students to study agriculture at university.

The Deputy of St. Mary:

There is a gap because ...

President, R.J.A.&H.S.:

Yes, there is a gap.

The Deputy of St. Mary:

Can you expand on that?

President, R.J.A.&H.S.:

Well, at the moment you cannot get funding if you leave school with G.C.S.E.s (General Certificate of Secondary Education) and want to go to an agricultural college. It is only university post 18. Now, a lot of ... while business skills are essential for the future, not necessarily the most academic will go straight into farming but they will make it eventually through agricultural colleges, et cetera. There is a huge gap there of 2 years with no funding available at all, not even thought of(?).

Deputy R.G. Le Hérissier:

That is a good point. What about the ... sorry.

Chairman, Jersey Milk Marketing Board:

I think this is where there is a potential with the inception of the Howard Davis Farm Trust which is going to be receiving quite a lot of rent in the future, not just from the Milk Marketing Board, where there will be the ability to potentially fund these sort of initiatives. Obviously it is not going to be 100 per cent but there is going to be the

opportunity for assistance specifically for those who are interested in the farming industry.

The Deputy of St. Mary:

Are there ways of encouraging that interest? Because James said provided the industry is vibrant and profitable then that is the road, that is enough. Is it really enough to challenge that and ...?

Chief Executive Officer, R.J.A.&H.S.:

I think it is. There are a range of young people who would like a career in agriculture if they felt it was secure enough. I mean, you cannot expect ... I think it is wrong to expect young people today going into agriculture to live the same conditions that their parents and grandparents did. The industry competes with finance and the careers it can offer, but not everybody in the Island wants to become a financier. Many would far rather a career in agriculture but we cannot take that for granted and say: "Well, it means 8 days a week and no holidays ever" and all this kind of thing. As long as the conditions are reasonable, but that comes back to a profitable and vibrant industry.

The Deputy of St. Mary:

But for us the important thing is when you say there is a range of young people, you have evidence for that? We are getting different ...

Chief Executive Officer, R.J.A.&H.S.:

There have been a series of new entrants into the industry. Going back 10, 15 years, I can think of probably at least half a dozen that have attempted to enter the industry.

The majority have failed, in fact I can think of all bar one probably that have failed, have failed for reasons of lack of profitability, possibly in certain instances lack of advice on how to structure a business and how to establish a core business on what is largely a rented situation, but there is a new entrant into the industry in the last 12 months who has been on the verge, I suppose, of setting up on their own in business for 10 years, very passionate, very committed, and I have no doubt that as long as it was sufficiently profitable that person will continue dairy farming.

[16:00]

Vice-President, R.J.A.&H.S.:

It really is profitability that is going to help the succession in our industry. The document ... well, the thing that has done it is the dairy industry's own road map to recovery.

Chairman, Jersey Milk Marketing Board:

And the jigsaw pieces.

Vice-President, R.J.A.&H.S.:

Yes.

Chairman, Jersey Milk Marketing Board:

You know, it has just been staggering the number of comments I have had from people who have said ... who have been up to the new dairy and said: "Gosh, this really makes a difference. You can actually see something there." But I think coming

back to this document, Deputy, where you ask in your usual inimitable style a very pertinent and in-depth question **[Laughter]** ...

Deputy R.G. Le Hérisier:

Flattery will get you nowhere. **[Laughter]**

Chairman, Jersey Milk Marketing Board:

In all seriousness, I think there is a danger and it is not one that manifests itself directly or on purpose as such, but there is a danger that these sort of documents can become all things to all men and women. I think we have to be focused on farm profitability. Once we all aspire to encourage new young people to come in, James is absolutely right in the way he describes it, it must be into a viable ... a realistically viable situation. One has seen in the past where people have got phenomenal levels of enthusiasm but that is never going to be enough to create ... unfortunately, in this day and age it is not going to be enough to create a viable farm business. It requires the right infrastructure, the right training. I think it also involves, particularly in farming circles, the concept of mentoring. You had a person on your farm who has now gone on to run their own business, and I think mentoring with another farmer, if that is the right phrase, is also something that can be done very simply without too much taxpayer involvement. What we do not want to see in a document like this is something where we almost sort of try and take people by the hand up the rosy garden path and say: “My dear good chap, if you just keep another few more cows or few more sheep and grow a few more vergées then you can become a recognised farmer and you will be on your road to this utopian dream.” We must focus on the areas where there is viability within the industry. We have to say it to you, that the brand of

the Jersey cow and the brand of the Jersey Royal potato are brands that have been established for over a century now and they are recognised the world over. They are recognised within the Island. Yes, there will be some forms of diversification that take place but those 2 brands are key to the future viability of, if nothing else, the management of the countryside. We do not ... I think we have seen in this document an emphasis in the last 5 years of diversification of other agricultural practice which has been something that has been commonplace in the U.K. and I think you need to make a careful assessment of just how viable some of those diversification initiatives have been before we start losing more land to uneconomic commercial countryside activity. Sorry, it might sound a bit selfish and harsh but land is precious.

The Deputy of Grouville:

I am going to have to press on because it is 4.05 p.m. Daniel, I was mindful that we have not got to any of your questions.

The Deputy of St. Mary:

Well, I have a question that is not on this but I feel I want to ask you because I have just seen the branchage outside my house. Just using it as a test case, not the branchage itself but as a test case of how one would arrange that and get the right people together to improve a particular thing, because it is an aspect ... you know, we talk about environmental plans and environmental management and we talk about the damage that agriculture does and then we talk about the benefits in the farmers looking after the countryside. Do you have any ideas about how that could be solved?

Chairman, Jersey Milk Marketing Board:

The practice of branchage has improved immeasurably in terms of quality of delivery, I feel, immeasurably.

The Deputy of St. Mary:

Well, I think you might find some would contest that but ...

Chairman, Jersey Milk Marketing Board:

That stony little lane, with respect, that goes down the north(?) of your property is one that is an exceptionally difficult one to practise ...

The Deputy of St. Mary:

But it is only stony because the previous branchages have taken the bank down to the stones.

The Deputy of Grouville:

We will give Daniel a sickle and a ... **[Laughter]**

The Deputy of St. Mary:

I asked the question because I wanted to see whether collaboration was possible and ...

President, R.J.A.&H.S.:

I think there have been training sessions and there were training sessions on how to use the machines, were there not, in the past? But one of the aspects of the branchage, obviously it is a huge cost to the farmers. Now, in the old days, in my dad's day, he

would get his sickle out and he would start to do that. But you cannot do that nowadays, so unfortunately for the likes of the Deputy, it is a machine. So, we have to make sure that they are used as well as we possibly can. Like I say, there have been training sessions, but it is a huge cost to the people who maintain the land or try and make a living from the land and it is something that we do that is ... in other areas of the world is not done.

Chairman, Jersey Milk Marketing Board:

I think we need to spin it round a little bit. I think we are entering the branchage bashing season. It would be so much better that while the great and the good of each Parish go round on their “visit to branchage” ...

The Deputy of St. Mary:

Not even ... I did not want to go there, actually. **[Laughter]**

Deputy R.G. Le Hérissier:

He is now part of the “great and the good”.

The Deputy of St. Mary:

No, I declined the invitation. **[Laughter]**

Chairman, Jersey Milk Marketing Board:

Time is limited, Deputy, time is limited, but rather than ... obviously there is a legal function to pursue, but they might at the end of it award ... each Parish might make some award for someone who has done the best form of branchage in the Parish.

The Deputy of St. Mary:

Yes, that is a good idea.

Chairman, Jersey Milk Marketing Board:

Let us turn the thing round. Rather than listening to ... sorry, not listening, reading letter after letter about something that was not done right ... you know, I have a little strip of hedge at Longueville that my landowner tells me has a very rare wild flower on it and it is recognised that I do not do that little strip of branchage.

The Deputy of St. Mary:

They let you know and so you avoid it.

The Deputy of Grouville:

But it comes back year after year. [Laughter]

Chairman, Jersey Milk Marketing Board:

You know, let us come back, let us try and enter into the positives of what we are trying to do and let us try and meet up with those who are much more knowledgeable about hedgerow trees and wild flowers and that sort of thing. Because farmers would be very keen to play their part on that but there is nothing worse, while you are trying to do every other job on the farm in the summer, to then get home and read another branchage bashing letter.

The Deputy of Grouville:

Okay. I shall not ask Daniel any more ... **[Laughter]** Is there anything you would like to add to your submissions?

Chairman, Jersey Milk Marketing Board:

I think one of the key things, without wanting to go on too long, is I think the farming industry has moved forward tremendously in terms of recognising its environmental responsibilities. You could argue that in the past the countryside looked the way it did by default; now there is much more conscious effort in terms of recognising the need for environmental improvement. I think we are going to go through an interesting situation vis-à-vis the U.K. with the change of government. A recent statement by the Farm Minister stated that he has appointed someone to look at all the red tape that is involved in farming in the U.K. to see how that can be reduced. We certainly in this Island have to recognise that we have less red tape to deal with than our counterparts in the U.K. Nevertheless, there is a lot of red tape and we need to be very clear about what our environmental objectives are. We have good discussions with the Environment Department but rather than trying to deliver these between whatever it is, 100, 120 commercially active farmers in the Island, I think there is a lot more that can be delivered via the marketplace. If you sell your produce to a multiple retailer or through any form of marketing scheme, if you have your farms ... it is not “if”, we all have to have our farms inspected to various protocols, and I think we could deliver a lot of the cross compliance objectives through that form of inspection rather than having to go through yet another system of bureaucracy.

The Deputy of Grouville:

I will ask if my adviser can ask the final question based on what you have just said.

Dr. J. Jones:

It is just a quick follow-up to that point, really, because I noted it in your submission. You say there that the drive for environmental improvement will come from the marketplace, but the proposal pointed out features like ponds, marsh, heath, dunes, cliff fringe, boundary features. I am not sure that the marketplace necessarily rewards you for those things and I am not sure whether, you know, the purchasers of your products would necessarily go so far as to start insisting upon those sort of features being maintained or introduced or whatever. Would that be ...?

Chief Executive Officer, R.J.A.&H.S.:

If I could perhaps give a reply to that, I was roped in as a judge for the countryside renewal scheme awards this year, which was somewhat to my surprise, and I had a very interesting day on it. One thing that I was very impressed with was that one of the larger potato growers in the Island I have no doubt when I looked through the dossier that they took those sorts of specifics very seriously within their environmental plan. It is not an environmental plan that has been driven from anyone else but themselves and their own environmental adviser. They have a part-time environmentalist who has gone round all the land they own and identified which bits should have different types of management. They have a list of about 50-odd projects across the farm that they are working on. The reason why they do that is ... and I think they would be the first to admit that when it was introduced there was a certain amount of: "Well, I suppose we have to do this to tick the green box but we are not really that keen on it." But throughout the business now it is taken quite seriously and it is an ability for them to, when Mr. Multiple Retailer knocks on the door and says:

“Just what do you do for, you know, your environmental credentials?” they have a dossier that is independently assessed that says: “Yes, this is how we run the farm.” So I think it may not be the market directly paying for it, but the market is expecting to see a little bit more than just: “Well, you know, we plant in straight rows.”

Deputy R.G. Le Hérissier:

Yes, good answer.

Chief Executive Officer, R.J.A.&H.S.:

So I think that is really where it is at.

Chairman, Jersey Milk Marketing Board:

I think, following on from that, I think we have seen from the U.K. with the voluntary scheme that has been taken up I think farmers do not like being told what to do and how to do it, but if the objectives are spelt out clearly, as James has explained, and then it is up to you to interpret them, farmers can be incredibly innovative. I think that is what we are trying to subtly say here, is let us have the objectives about what we want, what are the important areas, is it roadside walls, is it ponds, is it wetlands, is it management of meadows? Let us understand what those objectives are and then let the industry come forward with its proposals as to how it can deal with that. Because we have rules of supply for milk to the dairy; all the potato boys have strict protocols as well; they are all audited within national schemes. Let us be able to innovate a bit but let us know what the umbrella is that we are working underneath. I do not think we need to go down to too much minutiae to say: “Farmers, we are now

going to reward you a bit more for doing this this year rather than that because that is what we want to see.” It can come with ...

Dr. J. Jones:

So you do not want agri-environmental schemes?

Chairman, Jersey Milk Marketing Board:

I think we have it ... no, I do not think we are saying that. I think what we are saying is that an agri-environment scheme can be interpreted in lots of different ways. I think the key issue is what is the level of cross compliance for the future? Yes, there has to be some cross compliance for the single area payment or whatever we want to call it. There has to be cross compliance, but let us cross comply to the objectives rather than the minutiae.

The Deputy of Grouville:

Okay. I am going to have to wrap up now because we have run over time and Jim is waiting for his hearing back there. So, can I just thank you all very much for coming? The transcripts will be sent to you in about a week's time to go over and make sure ...

The Deputy of St. Mary:

You said what you have said.

The Deputy of Grouville:

... you have said what you have said. **[Laughter]**

Deputy R.G. Le Hérissier:

Or you meant what you ... [Laughter]

President, R.J.A.&H.S.:

Transcribers can do some amazing things to the English language.

Chairman, Jersey Milk Marketing Board:

Just for ease of reference, that might be something that you would ... because we did draw reference to it within our submission but it is a paper that was done back in whenever it was, 2004 ...

The Deputy of Grouville:

Okay, all right. Thank you very much.

Chief Executive Officer, R.J.A.&H.S.:

Can we thank you very much and say that if there is any more information you require we would be pleased to supply it to you in any shape or form.

Deputy R.G. Le Hérissier:

Thank you.

The Deputy of Grouville:

Thank you.

[16:14]

